

Remarks on the Federal Budget

May 7, 2009

Good morning, everybody. All across this country, Americans are responding to difficult economic times by tightening their belts and making tough decisions about where they need to spend and where they need to save. And the question the American people are asking is whether Washington is prepared to act with the same sense of responsibility.

I believe we can and must do exactly that. Over the course of our first hundred days in office, my administration has taken aggressive action to confront a historic economic crisis. We're doing everything that we can to create jobs and to get our economy moving while building a new foundation for lasting prosperity, a foundation that invests in quality education, lowers health care costs, and develops new sources of energy powered by new jobs and industries.

But one of the pillars of this foundation is fiscal responsibility. We can no longer afford to spend as if deficits don't matter and waste is not our problem. We can no longer afford to leave the hard choices for the next budget, the next administration, or the next generation.

And that's why I've charged the Office of Management and Budget, led by Peter Orszag and Rob Nabors, who are standing behind me today, with going through the budget, program by program, item by item, line by line, looking for areas where we can save taxpayer dollars. Today the budget office is releasing the first report in this process, a list of more than 100 programs slated to be reduced or eliminated altogether. And the process is ongoing.

Now, I want to be clear: There are many, many people doing valuable work for our Government across the country and around the world. And it's important that we support these folks, people who don't draw big paycheck or earn a lot of praise but who do tough, thankless jobs on our behalf in our Government. So this is not a criticism of them. At the same time, we have to admit that there is a lot of money that's being spent inefficiently, ineffectively, and, in some cases, in ways that are actually pretty stunning.

Some programs may have made sense in the past, but are no longer needed in the present. Other programs never made any sense; the end result of a special interest's successful lobbying campaign. Still other programs perform functions that can be conducted more efficiently or are already carried out more effectively elsewhere in the Government.

One example of a program we will cut is a long-range radio navigation system which costs taxpayers \$35 million a year. Now, this system once made a lot of sense, before there were satellites to help us navigate. Now there's GPS. And yet, year after year, this obsolete technology has continued to be funded, even though it serves no Government function and very few people are left who still actually use it.

Another example is the National Institute for Literacy. Now, I strongly support initiatives that promote literacy—it's critical—but I oppose programs that do it badly. Last year, nearly half of the funding in this program was spent on overhead. So we've proposed cutting the \$6 million for this program in favor of supporting literacy efforts within the Department of Education which use tax dollars more effectively and wisely.

We're also closing an office maintained by the Department of Education in Paris. This is an office that costs hundreds of thousands of dollars to employ one person as a representative to United Nations Educational, Scientific and Cultural Organization, or UNESCO. Now, participation in UNESCO is very important, but we can save this money and still participate, using e-mail and teleconferencing and a small travel budget.

In addition, we're going to save money by eliminating unnecessary defense programs that do nothing to keep us safe, but rather prevent us from spending money on what does keep us safe. One example is a \$465 million program to build an alternate engine for the Joint Strike Fighter. The Defense Department is already pleased with the engine it has; the engine it has works. The Pentagon does not want and does not plan to use the alternative version. That's why the Pentagon stopped requesting this funding 2 years ago. Yet it's still being funded.

And these are just a few examples. But the point to remember is that there are consequences for this kind of spending. It makes the development of new tools for our military, like the Joint Strike Fighter, more expensive, even prohibitively so, and crowds out money that we could be using, for example, to improve our troops' quality of life and their safety and security. It makes Government less effective. It makes our Nation less resilient and less able to address immediate concerns and long-term challenges, and it leaves behind a massive burden for our children and grandchildren.

Now, some of the cuts we're putting forward today are more painful than others; some are larger than others. In fact, a few of the programs we eliminate will produce less than a million dollars in savings. And in Washington, I guess that's considered trivial. Outside of Washington, that's still considered a lot of money.

But these savings, large and small, add up. The 121 budget cuts we are announcing today will save taxpayers nearly \$17 billion next year alone. And even by Washington standards, that should be considered real money. To put this in perspective, this \$17 billion is more than enough savings to pay for a \$2,500 tuition tax credit for millions of students as well as a larger Pell grant, with enough money left over to pay for everything we do to pay for—to protect the national parks. And this is just one aspect of the budget reforms and savings we're seeking.

I've signed a Presidential memorandum to end unnecessary no-bid contracts and dramatically reform the way Government contracts are awarded, reform that will save the American people up to \$40 billion each year.

Secretary Gates has proposed the elimination of expensive weapons systems ill-suited for the threats of the 21st century and a sweeping overhaul of a defense contracting system which has been riddled with hundreds of billions of dollars in waste and cost overruns. A proposal to accomplish these kinds of reforms, sponsored by Senators John McCain and Carl Levin in the Senate and Representatives Ike Skelton and John McHugh in the House, is advancing through Congress as we speak.

We're also going to eliminate the subsidies we provide to the health insurance companies through Medicare, saving roughly \$22 billion each year starting in 2012, as part of a broader effort to reduce health care costs—essential to putting our Nation on a more secure fiscal footing.

All told, by the end of my first term, we will have cut the deficit in half. Over the next decade, we'll bring nondefense discretionary spending to its lowest level as a share of Gross Domestic Product since 1962. We will also continue to look for ways we can save taxpayer

money. And I know there are many in both parties in Congress committed to cutting spending and eager to work with us.

And one important step is restoring the pay-as-you-go rule, and I've called on Congress to do exactly that. This rule says, very simply, that Congress can only spend a dollar if it saves a dollar elsewhere. This is the principle that guides responsible families managing a budget. This is the principle that helped transform large deficits into surpluses in the 1990s.

I've also asked my Cabinet to continue to scour their budgets looking for savings and to report their findings back to me. And I've proposed other creative ways to control spending. For example, we don't want agencies to protect bloated budgets; we want them to promote effective programs. So we'll allow agencies that identify savings to keep a portion of those savings to invest in programs that work within their agencies.

We're also making it possible for Government employees to submit their ideas for how their agency can save money and perform better. And we're going to reach beyond the halls of Government. Many businesses have innovative ways of using technology to save money; many experts have new ideas to make Government work more efficiently. Government can, and must, learn from them.

Finally, while these steps will help us cut our deficit in half over the next 4 years, we recognize that there remain looming challenges to our fiscal health beyond that, challenges that will require us to make health care more affordable and to work on a bipartisan basis to address programs like Social Security. So what we're proposing today does not replace the need for large changes in nondiscretionary spending.

It is important, though, for all of you as you're writing up these stories to recognize that \$17 billion taken out of our discretionary nondefense budget as well as portions of our defense budget are significant; they mean something. Now, none of this will be easy. For every dollar we seek to save there will be those who have an interest in seeing it spent. That's how unnecessary programs survive year after year. That's how budgets swell. That's how the people's interest is slowly overtaken by the special interests. But at this moment, at this difficult time for our Nation, we can't accept business as usual. We can't accept anything less than a government ready to meet the challenges of our time.

We must build a government of the 21st century: a government that is more efficient and more effective; a government that does what we need to do it and nothing that we don't; a government that invests in our future without leaving behind enormous financial burdens that put our future in jeopardy. And today we've taken an important step, albeit just a first step, towards building this kind of government, not just for this generation of Americans, but for the sake of generations to come.

Thank you, everybody.

NOTE: The President spoke at 10:42 a.m. in the Room 350 of the Dwight D. Eisenhower Executive Office Building. In his remarks, he referred to Peter R. Orszag, Director, and Robert L. Nabors, Deputy Director, Office of Management and Budget.

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